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modifications concern: mathematical calculation errors; limitations placed on allowable costs by the Nursing Facilities Manual, and the documents, principles, and criteria referenced therein; reasonableness limitations placed on salaries paid employees of the facility; reasonableness limitations using the principles contained in CMS-15-1; or other parameters placed on reasonable cost by the Division. These modifications basically concern what expenses are attributable to the care received and the reasonableness of the amounts of expenses that are attributable to care. See Appeals Section of this Manual for appellate procedures to resolve disputes of specific contested adjustments. Specifically, the Net Per Diem for each of the five cost centers is determined as follows (all Schedule references are to the Cost Report):

See Section 1002.5 of the Nursing Facility Manual for additional description of such limitations.

Allowable Home Office salary costs are limited to an appropriate maximum. Fringe benefits are also limited to an appropriate maximum. (A per bed salary ceiling also is imposed, based on the 70th percentile of costs per the 1988 home office cost reports, plus an allowance for inflation. Home Office salaries and related fringe benefits are subjected to a \$100,000 maximum salary for CEO, COO, CFO and other Home Office personnel. Therefore, in addition to the per bed salary ceiling, we have incorporated a position maximum of \$100,000 to be applied only to owners of nursing facilities and related parties.) Reimbursement for the cost of home office vehicles is eliminated, except to the extent that home office vehicle costs can be included with related home office salaries as a fringe benefit, and in total, fall below any designated maximums.

Routine and Special Services Net Per Diem =

Nursing Facilities Net Per Diem =

(Historical Routine and Special Services (Schedule B, Lines 5 plus 7, Column 4) divided by (Total Patient Days, Schedule A, Line 13, Column 6); for Nursing Facilities, the resulting per diem amount is divided by a case mix index score as determined by the Division for all residents in the facility during the base period, the cost reporting period identified in

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section 1002.2. The method by which a case mix index score is calculated is presented in the section of titled “Case Mix Index Reports.”

ICF-MR Net Per Diem =

(Historical ICF-MR Routine and Special Services (Schedule B, Lines 6 plus 7, Column 4) divided by (Total ICF-MR Patient Days, Schedule A, Line 13, Column 7).

When costs for State Distinct Part Nursing Facilities can be identified, be they routine services or special services, the costs will be allocated as identified. Where costs have not been identified, the patient days method will be used to allocate costs.

Dietary Net Per Diem =

Historical Dietary, Schedule B, Line 8, Column 4, Divided By Total Patient Days

Laundry and Housekeeping and Operation and Maintenance of Plant Net Per Diem =

Historical Laundry, Housekeeping, Operation and Maintenance of Plant, Schedule B, Lines 9 plus 10, Column 4, Divided By Total Patient Days

Administrative and General Net Per Diem =

Historical Administrative and General, Schedule B, Line 11, Column 4, Divided By Total Patient Days

Property and Related Net Per Diem =

For a facility with a Property and Related Net Per Diem in excess of the Property and Related Standard Per Diem, the Net Per Diem will be reduced to the Standard Per Diem. For any facility having a property transaction after May 6, 1981, (excluding leases for which the Division had approved rates on or before that date) the total Property and Related Net Per Diem, shall not exceed the Standard Per Diem.

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Costs for property taxes and property insurance, as defined in the Uniform Chart of Accounts, are included but are not subject to the property and related cost center Standard Per Diem.

Historical Property & Related, Schedule B, Line 12, Column 4, Divided
By Total Patient Days

The Return on Equity Percent is 0% for all facilities.

Facilities reimbursed as of June 30, 1994, and June 30, 1995, for actual arm's length property and related costs will be reimbursed at the Dodge Index rate if a change in the audited reimbursement rate results in a per diem increase.

Facilities reimbursed as of June 30, 1994, and June 30, 1995, at actual arm's length property and related costs including those subject to standards, will not be reimbursed at the Dodge Index rate if a change in audited reimbursement results in a per diem decrease, unless a property transaction occurs as described in Section 1002.5(a) in which case the Dodge Index will apply. Until the Dodge Index applies to these facilities, reimbursement will continue at actual arm's length property and related costs.

Facilities reimbursed for actual property and related costs will be reimbursed at the Dodge Index rate as described in Section 1002.5(a) through (f) below, if actual property and related costs per diem become less than the Dodge Index rate or if there is a property transaction according to Section 1002.5(a).

Facilities reimbursed at the Dodge Index rate will remain at Dodge Index rate for all subsequent periods.

- b. Standard Per Diem for each of the five cost centers is determined after facilities with like characteristics concerning a particular cost center are separated into distinct groups. Once a group has been defined for a particular cost center, facilities in a group shall be ordered by position number from one to the number of facilities in the group, arranged by Net Per Diem from the lowest (Number "1") to the highest dollar value Net Per Diem. The number of facilities

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in the applicable group shall be multiplied by the Maximum Percentile, or a median net per diem may be chosen, with the Maximum Cost per day being determined as a percentage of the median. The Maximum Cost per day for the Administrative and General costs of all nursing facilities eligible for efficiency incentive payments is 105% of the median cost per day within each peer group. The Maximum Percentile is the eighty-fifth for Laundry and Housekeeping and Operation and Maintenance of Plant cost centers. The Maximum Percentile is the ninetieth percentile for the Routine Services and Special Services, Dietary and the Property and Related cost centers. If the Maximum Percentile does not correspond to a specific value in the array of net per diem amounts, the maximum percentile is determined by interpolation.

The grouping will be done using Net Per Diem for each cost center that has been reported by the facility, and calculated by the Division on June 30, 2003. Standards effective July 1, 2003, will not be recalculated based upon changes in rates due to subsequent determination of additional allowable cost, disallowance of previously allowable cost or any change in the Net Per Diem in any cost center.

There are several instances where a facility could fall in more than one group. Intermediate care facilities for the mentally retarded which also are nursing facilities are classified as intermediate care facilities for the mentally retarded.

For the purpose of determining the Standard Per Diem and the Allowed Per Diem for each cost center, a facility is grouped according to the type facility it is as of June 30, 2003.

If a facility changes classification to hospital-based or grouping on January 1 through June 30 of any calendar year, it will be grouped into its new category for reimbursement purposes for dates of services July 1 of that year and thereafter. If a facility changes classification as described above on July 1 through December 31 of any calendar year, regrouping will occur from January 1 of the following year.

Routine and Special Services Standard Per Diem

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For this Standard Per Diem, all nursing facilities shall be grouped
as follows:

Nursing Facility

Intermediate Care Facility for the Mentally Retarded

Dietary Standard Per Diem

For this Standard Per Diem, all nursing facilities shall be grouped
as follows:

Free Standing Nursing Facility

Hospital-Based Nursing Facility

Intermediate Care Facility for the Mentally Retarded

Laundry and Housekeeping and Operation and Maintenance of
Plant Standard Per Diem

For this Standard Per Diem, all nursing facilities shall be grouped
as follows:

Nursing Facility

Intermediate Care Facility for the Mentally Retarded

Administrative and General Standard Per Diem

For this Standard Per Diem, all nursing facilities shall be grouped
as follows:

Nursing Facility

Intermediate Care Facility for the Mentally Retarded

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Property and Related Standard Per Diem

For this Standard Per Diem, all nursing facilities shall be grouped by the age of the facility as follows:

All facilities constructed five or less than five years ago

All facilities constructed ten or less than ten years ago, but more than five years ago

All facilities constructed more than ten years ago

For purposes of this standard per diem, the age of the facilities as of October 1976 will be used. For facilities with buildings constructed in different years, the composite age of the facility is computed using the number of square feet contained in each unit to produce a weighted average age.

- c. The Efficiency Per Diem represents the summation of the Efficiency Per Diem for each of the five cost centers. If the Net Per Diem is equal to or exceeds the Standard Per Diem in any cost center, or if the Net Per Diem is equal to or less than 15% of the Standard Per Diem, the Efficiency Per Diem for the cost center is zero (\$0.00). If the Net Per Diem is less than the Standard Per Diem in any cost center, and if the Net Per Diem is more than 15% of the Standard Per Diem, the Efficiency Per Diem for the cost center is calculated by subtracting the Net Per Diem from the Standard Per Diem for that cost center and then multiplying the difference by .75. The product represents the Efficiency Per Diem for that cost center subject to the following maximums:

Routine and Special Services	
Maximum Efficiency Payment	\$0.53
Dietary Maximum Efficiency Payment	
	\$0.22
Laundry and Housekeeping and Operation and Maintenance of Plant Maximum Efficiency Payment	
	\$0.41

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Administrative and General Maximum
Efficiency Payment \$0.37

Property and Related Maximum
Efficiency Payment \$0.40

1002.3 Total Allowed Per Diem Billing Rate For Facilities For Which A
Cost Report or Case Mix Score Cannot Be Used To Set A Billing
Rate

If the Division determines that a cost report cannot be used to set a
billing rate the per diem rate will be established, as follows:

- a) When changes in ownership occur, new owners will receive
the prior owner's per diem until a cost report basis can be
used to establish a new per diem rate. (See Appendix
D2(h).)
- b) Newly enrolled facilities will be reimbursed the lower of:
projected costs; or 90% of the appropriate cost center
ceilings, plus a growth allowance and the appropriate
Property and Related Net Per Diem until a cost report is
submitted which can be used to establish a rate.
- c) In all other instances (except as noted below for newly
constructed facilities) where the Division determines that a
cost report cannot be used to set a reimbursement rate, the
Total Allowed Per Diem Billing Rate will be resolved as
described in the provisions discussed below for unauditable
cost reports.

The Total Allowed Per Diem Billing Rate for homes with
more than 50 beds determined by the Division to be newly
constructed facilities is equal to 95% of the four Non-
Property and Related Standard Per Diem amounts plus the
appropriate growth allowance and Property and Related Net
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The Property and Related Net Per Diem referred to in subsections (a) through (c) above is equal to either the Dodge Index Rate as determined under Section 1002.5(a) through (g), or the lesser of projected costs or the maximum allowable costs as determined by Section 1002.5(a) divided by that number of patient days which represents a 95% rate of occupancy.

- d) In all other instances where the Division determines that a cost report cannot be used to set a reimbursement rate, the Total Allowed Per Diem Billing Rate will be resolved as described in the provisions discussed below for unauditable cost reports. If the Division determines that a cost report which was to be used to set a reimbursement rate is unauditable (i.e., the Division's auditors cannot render an opinion using commonly accepted auditing practices on the filed cost report, either on the desk audit or on-site audit), or unreliable (See Appendix D2(h).), the Division may reimburse the facility the lower of the following:

- The last Total Allowed Per Diem Billing Rate issued prior to the reimbursement period to be covered by the unauditable cost report;
- The Total Allowed Per Diem Billing Rate calculated from the unauditable cost report; or
- The Total Allowed Per Diem Billing Rate calculated according to 90% of the four Non-Property and Related Standard Per Diem amounts plus the appropriate growth allowance and Property and Related Net Per Diem.

Once a cost report becomes auditable and appropriate, the Total Allowed Per Diem Billing Rate will then be calculated using the audited cost report as a basis. The resulting reimbursement rate will then be applied to the appropriate period.

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Effective April 1, 1982, the Property and Related cost center reimbursement for those facilities whose cost reimbursement is limited to the Standard (90th percentile) Per Diem in this cost center will be based upon the Standard Per Diem calculated from the cost reports for the year ending June 30, 1981.

- e) If a case mix score cannot be determined for a facility, the average score for all facilities may be used in a rate calculation. If a facility's number of MDS assessments for Medicaid patients in a quarter is limited so as to make the resulting average case mix score unreliable for rate calculations, the Department will use the average score for all facilities.

1002.4 Other Rate Adjustments

A staffing adjustment equal to 1% of the Allowed Per Diem for Routine and Special Services will be added to a facility's rate. To qualify for such a rate adjustment, a facility's Nursing Hours and Patient Days Report must demonstrate that the facility meets the minimum staffing requirements presented in section 1003.1. The Division will also require that a facility participate in Division-sponsored quality improvement initiatives in order to receive this adjustment.

For the most recent calendar quarter for which MDS information is available, Cognitive Performance Scale (CPS) scores for Medicaid patients will be measured, as determined by the Division. An adjustment factor will be applied to a facility's Routine and Special Services Allowed Per Diem based on the percentage of Medicaid patients whose CPS scores are moderately severe to very severe. The adjustment factors are as follows:

% of Medicaid Patients	Adjustment Factor
<20%	0%
20% - <30%	1%
30% - <45%	2.5%
45% - 100%	4.5%

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Effective July 1, 2003, in order to recognize the Medicaid share of a facility's cost of paying fees for Georgia's the Nursing Home Provider Fee Act, an adjustment equal to the fee payable for each Medicaid patient day will be added to a facility's rate. During the quarter beginning July 1, 2003, the adjustment amount will be estimated by the Division; any difference between the estimated and actual fee will be corrected by changes to rates for a subsequent quarter. For periods beginning October 1, 2003, the adjustment amount will be based on the fee applicable for the prior quarter.

1002.5 Property and Related Reimbursement Limitations

The Division has established additional criteria to determine the reasonableness of property and related costs.

Property Transactions after June 14, 1983

- a. For any facility having a property transaction, including a renewal of a lease, with an effective date after June 14, 1983, excluding additions, expansions and renovations, the steps described in paragraphs (b) through (f) of this subsection comprise the Dodge Index method of property and related reimbursement which will be performed to set the property and related net per diem for a facility. Facilities reimbursed for actual property and related costs will be reimbursed at the Dodge Index rate if actual property and related costs per diem become less than the Dodge Index rate or if there is a property transaction according to this section. Facilities reimbursed at the Dodge Index rate will remain at the Dodge Index rate for all subsequent periods. This will be referred to as the property rate component for the remainder of this subsection. The property rate component is then used in the computation of a facility's Allowed Per Diem as defined in Sections 1002.2 and 1002.3.